



CITY OF CAINSVILLE, MISSOURI

YEAR ENDED DECEMBER 31, 1997
AND THE FIVE MONTHS
ENDED MAY 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-17
March 22, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Cainsville, Missouri.

NOTE: Recommendations as well as responses from the city which correspond with the findings are included in the audit.

During our review of the city's published financial statements, we discovered the city had not published semiannual financial statements as required by law. Prior to 1997, it appears no financial statements were published by the city. The city did publish a financial statement for 1997; however, that statement covered the entire year and did not include the city's indebtedness. State law requires the board of aldermen to prepare and publish semiannual financial statements. The law states that a city cannot legally disburse funds until these financial statements are published. Not only are these financial statements necessary to meet statutory requirements, they provide information to citizens regarding the operations and financial condition of their city government and how their tax dollars are being spent.

The City of Cainsville does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, we noted instances where bids were either not solicited or bid documentation was not kept. Examples include \$5,222 for gravel, \$5,043 for insurance, and \$1,053 for a lawn mower. Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

The city's property tax rate has exceeded the maximum authorized by state statute. Public hearings have not been held prior to establishing property tax rates, and the board did not establish annual tax rates by ordinance. No independent verification of the tax books is performed. Furthermore, the city collector does not prepare an annual report of taxes collected or a list of delinquent taxes, and that official is not bonded.

The board of aldermen has not appointed an individual to serve as city treasurer, and there is no independent review or supervision of the work performed by the city clerk.

Historical information regarding Cainsville City Government be found on pages 4-5.

YELLOW SHEET

CITY OF CAINSVILLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Board of Aldermen
City of Cainsville
Cainsville, Missouri 64632

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Cainsville, Missouri. The city had engaged Schleisman White & Associates, P.C., Certified Public Accountants, (CPA firm), to perform a financial audit for the city for the year ended December 31, 1997, and the five months ended May 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the city included, but was not limited to, the year ended December 31, 1997, and the five months ended May 31, 1998. The objectives of this audit were to:

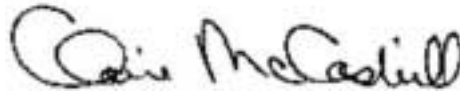
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Cainsville, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 10, 1999

HISTORY AND ORGANIZATION

CITY OF CAINSVILLE, MISSOURI HISTORY AND ORGANIZATION

The city of Cainsville is located in Harrison County. It was incorporated in 1875 as a fourth-class city. The population of the city in 1990 was 387.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 1997, were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended December 31, 1997	Amount of Bond
Larry Fox, Mayor (1)	April 1998	\$ 600	
Marguerite Cordle, Alderwoman	April 1999	200	
Bill McLain, Alderman	April 1999	200	
Leroy Osmon, Alderman (2)	April 1998	200	
Gary Turner, Alderman (3)	April 1998	200	
Wanda Jones, City Collector	April 1999	971 (4)	
 <u>Other Principal Officials</u>			
Mary Meinecke, City Clerk/Treasurer (5)		7,200	\$ 50,000
Wendell Willis, Street/Water Plant Operator (6)		17,732	
William Esley, City Attorney (7)		0	

(1) Reelected in April 1998.

(2) Ivan Powers was elected in April 1998 to replace Leroy Osmon.

(3) Tom Doty was elected in April 1998 to replace Gary Turner.

(4) The City Collector does not receive a salary. She earns a five percent commission on property tax collections.

(5) Resigned in May 1998. The board appointed Tara Francis as City Clerk/Treasurer in May 1998.

(6) Resigned in October 1998. Brad Thompson was hired as his replacement in November 1998.

(7) In March 1998, Allan Seidel was appointed city attorney to replace William Esley who passed away.

Assessed valuation and tax rate information for 1997 were as follows:

ASSESSED VALUATION

Real estate	\$ 722,520
Personal property	467,330

Railroad and utilities		191,103
Total	\$	<u>1,380,953</u>

::

TAX RATES PER \$100 ASSESSED VALUATION

General	\$.61
Fire		.20
Gravel		<u>.92</u>
Total	\$	<u>1.73</u>

MANAGEMENT ADVISORY REPORT

CITY OF CAINSVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-10)

Formal bidding procedures have not been established. The city has not established a separate fund or accounting for motor vehicle-related receipts to ensure these amounts are spent only on street-related purposes. Board minutes do not identify the disbursements approved by the board at its monthly meeting. Invoices were not properly canceled after being paid and the receipt of goods and services was not always indicated on invoices prior to payment.

2. Budgetary and Financial Reporting Procedures (pages 11-12)

The city approved General Fund expenditures in excess of budgeted amounts during 1997. The city has not published semi-annual financial statements as required by state law. The financial statements which were published for 1997 did not include the city's indebtedness as required.

3. Water System (pages 12-13)

There is no independent oversight of the duties related to the billings and record keeping for the city's water system. Monies related to direct sales at the water plant are not turned over to the City Clerk on a timely basis and there is no meter to monitor these water sales.

4. Property Tax Rate and Procedures (pages 13-15)

The city's property tax rate has exceeded the maximum authorized by state statute. Public hearings have not been held prior to establishing the property tax rates, and the board did not establish the annual tax rates by ordinance. No independent verification of the tax books is performed. The City Collector does not prepare an annual report of taxes collected or a list of delinquent taxes. The City Collector is not bonded.

5. Trash Fees (pages 15-16)

A portion of the monthly fee charged to city residents for trash collection service is intended to cover the city's administrative costs in providing the service; however, the city has not identified the administrative costs incurred.

6. Street Maintenance Plan (pages 16-17)

An annual maintenance plan for city streets has not been prepared.

7. Ordinances, Policies, and Minutes (pages 17-18)

Some of the city's ordinances were not filed in the official ordinance book, ordinances have not been established in all instances where needed, and the city has not operated in accordance with some established ordinances. The city does not have a formal policy regarding public access to city records. The board minutes are not signed by the Mayor or a designated member of the board to attest to the accuracy.

8. Accounting Controls and Procedures (pages 18-20)

A separate individual has not been appointed to serve as City Treasurer and there is no independent review or supervision of the work performed by the City Clerk. Prenumbered receipt slips are not issued for monies received by the city and deposits are not made on a timely basis.

9. Fixed Asset Records (page 20)

The city has not maintained adequate records to account for fixed assets.

CITY OF CAINSVILLE, MISSOURI
MANAGEMENT ADVISORY REPORT

1.

Expenditures

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although it appears the city did solicit bids for some purchases, we noted instances where bids were either not solicited or bid documentation was not retained. Examples include \$5,222 for gravel, \$5,043 for insurance, and \$1,053 for a lawn mower.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- B. During the year ended December 31, 1997, and the five months ended May 31, 1998, the city received motor vehicle-related receipts totaling \$14,937 and \$6,073, respectively, from the state. The city has historically deposited these receipts into the General Fund rather than establishing a separate fund to account for the receipt and disbursement of these monies. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.

Although street-related disbursements are paid from the General Fund, these disbursements are not specifically identified in the city's accounting records. As a result of this situation, receipts legally restricted for street purposes may have been used for other municipal purposes. The city should perform a detailed review of the motor vehicle-related receipts and disbursements that have been handled in the General Fund and determine if there is any remaining balance. The unspent balance of street revenues should be accounted for separately along with future receipts.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or accounting of motor vehicle-related receipts and ensure these revenues are used only for the purposes allowed by the constitution.

- C. The board minutes do not identify the disbursements approved by the board at its monthly meetings. Generally, the only reference in the minutes is a notation that a motion was made and approved to pay bills.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the aldermen to denote their approval, and retained in the official minutes.

- D. Invoices supporting payments are not marked paid. Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments.
- E. Indication of the receipt of goods or services is not always indicated prior to an expenditures being approved for payment. The documentation of receipt of goods or services is necessary to ensure the city actually received the items or services being paid.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding policies and procedures.
- B. Determine if there is an unspent balance of motor vehicle-related receipts in the General Fund and establish a separate fund or accounting of state motor vehicle-related monies to ensure compliance with the Missouri Constitution.
- C. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- D. Ensure that all invoices are canceled or marked paid when payment is made.
- E. Ensure the receipt of goods or services is indicated on the invoice prior to payment.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *A formal bidding policy has been established.*
- B. *Motor-vehicle money is now maintained in a separate fund.*
- C. *We now have lists of disbursements signed by all board members.*
- D. *Invoices are now canceled when they are paid .*

E. *All goods are signed for now and an indication of this is made on the invoice.*

2. Budgetary and Financial Reporting Procedures

- A. During the year ended December 31, 1997, the city approved General Fund disbursements of \$18,625 in excess of the budgeted amount. The city did not prepare an amended budget for this fund nor did the city set forth any reasons for exceeding the budgeted amount in the board minutes or adopt a resolution authorizing the additional expenditures. The city did amend the Water Fund budget for the year ended December 31, 1997; however, the city did not identify the dollar amount of the budget increase or adopt a formal resolution doing so.

Section 67.040, RSMo 1994, requires political subdivisions to keep expenditures within amounts budgeted. If these are valid reasons which necessitate excess expenditures, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

- B. During our review of the city's published financial statements, the following concerns were noted:

1. The city has not published semiannual financial statements as required by law. The city published financial statements for 1997; however, they covered the entire year. Prior to 1997, it appears no financial statements were published by the city.
2. The financial statements published for 1997 did not include the city's indebtedness. Those financial statements did not include the city's water revenue bonds at December 31, 1997.

Section 79.160, RSMo 1994, requires the board of aldermen to prepare and publish semiannual financial statements. These financial statements should present a statement of receipts and expenditures and indebtedness of the city for the preceding six months. In addition, Section 79.165, RSMo 1994, states the city cannot legally disburse funds until the financial statement is published.

The publishing of the financial statements, besides meeting statutory requirements, provides information to citizens regarding the operations and financial condition of their city government and how their tax dollars are being spent.

WE RECOMMEND the Board of Aldermen:

- A. Ensure the expenditures are kept within budgeted amounts. If it is necessary to incur additional expenditures, a resolution setting forth the amount of the increase and reason(s) for such should be adopted.
- B. Publish semiannual financial statements as required by state law. The financial statements should include all required information, including the indebtedness of the city.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We currently make budget amendments with motions at meetings, and we will in the future make formal resolutions.*
- B. *We will publish semi annual financial statements and include indebtedness for water and sewer.*

3.	Water System
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The city operates a water system which provides service to over 200 customers. Our review of the related billing and collection records and procedures disclosed the following concerns:

- A. There is no independent oversight of duties related to the water system. At the time of our review, the Water Plant Operator was responsible for all functions related to generating and billing monthly utility bills, recording utility payments, making credit adjustments, and monitoring delinquent accounts. The city's computerized utility system generates a billing register that shows the current billing and last payment information for each customer. However, these reports were maintained by the Water Plant Supervisor and not filed with the City Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. To ensure that the utility billings and related records are handled properly, there should be an independent reconciliation of bank deposits to recorded utility payments, an independent review and approval of credit adjustments, and delinquent account follow-up.

- B. The city sells water directly to individuals who fill water tanks from a coin-operated pump at the city's water plant. The cost is twenty-five cents for 25 gallons of water. The monies from these sales are not collected and deposited on a timely basis. We noted these monies were generally turned over to the City Clerk and deposited only once a month during 1997. In addition, we noted the amount of water plant sales has decreased significantly in recent years. Recorded revenues from these sales totaled

\$4,228, \$2,024, \$681, and \$528, in 1995, 1996, 1997, and 1998 (through July), respectively.

We were informed that more people living outside the city have been hooked up to rural water districts in recent years; however, it could not be determined if this accounted for the reduction in revenues. The city does not have a meter to monitor the amount of water sold through the coin-operated pump. As a result, the water sold in this manner cannot presently be compared to the amount of monies received and deposited.

To ensure receipts from water plant sales are accounted for properly, the monies should be collected and deposited on a timely basis. In addition, the board should monitor revenues from direct water sales at the plant and investigate any unusual fluctuations. Further, the city should install a meter at the plant so these direct sales can be compared to the amount of monies received and deposited.

WE RECOMMEND the Board of Aldermen

- A. Ensure a periodic independent review of the billing and accounting functions of the water system is performed. This would include a reconciliation of bank deposits to recorded payments, review and approval of credit adjustments, and delinquent account follow-up.
- B. Ensure monies related to direct water plant sales are collected and deposited on a timely basis. In addition, the board should monitor these revenues for reasonableness and take steps to meter this water usage so the total gallons sold can be compared to the monies received and deposited.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *The City Clerk now handles the billing and collection duties of the water system. The clerk compares bank deposits to payments each month and delinquent accounts are acted on at board meetings.*
- B. *Monies from the water plant will be collected each week on Monday by two individuals and be turned over to the City Clerk. We have obtained a new meter to account for sales at the water plant.*

4. Property Tax Rate and Procedures

- A. The city's total property tax rate has exceeded the maximum authorized by state statutes. The city's total tax rates for 1998, 1997, and 1996 were \$1.77, \$1.73, and

\$1.89, respectively. However, Section 94.250, RSMo 1994, provides that a fourth class city's tax levy shall not exceed \$1.00 for general municipal purposes, except by a two-thirds vote and only for a period of four years at any one time. It appears this situation has existed for a number of years and there was no indication whether the additional levies (above \$1.00) had ever been approved by a vote of the people.

The city should review this situation with the City Attorney and set future tax rates in accordance with state law. Any tax levy above \$1.00 would need to be approved by the voters.

- B. Public hearings have not been held prior to establishing the property tax rates. Section 67.110, RSMo 1994, states a public hearing is to be held on proposed rates of tax prior to the board's approval of the rates. Also, the board did not establish the annual tax rates by ordinance as required by Section 94.210, RSMo 1994.
- C. The City Collector manually prepares the tax books from assessment data received from the county. No independent verification of the tax book information or totals is performed by the City Clerk.

Section 94.290, RSMo 1994, requires the city clerk to make the tax books and charge the city collector with the full amount of taxes levied. Without this proper segregation of duties between the City Clerk and City Collector, the internal control over this process is weakened. Verification of tax book information and totals is necessary to ensure the amount of taxes charged to the City Collector is complete and accurate.

- D. While the City Collector prepares monthly reports of taxes collected, an annual report of amounts collected as well as amounts uncollected is not prepared as required. In addition, an independent reconciliation of paid tax statements to the monthly reports is not performed.

Sections 79.310, 94.320, and 94.330, RSMo 1994, require the city collector to make reports to the board of aldermen of the amount of taxes collected and to prepare lists of delinquent taxes. The board is to examine and approve the lists and charge the city collector with the lists to collect the taxes due. Section 94.330, RSMo 1994, also provides that the board of aldermen may declare worthless any and all personal delinquent taxes which they may deem uncollectible.

An annual report which complies with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. In addition, an independent reconciliation of paid tax statements to monthly reports would provide more assurance that all amounts collected were appropriately handled.

- E. The City Collector is not bonded. City Ordinance 1987-A, Section 1-320, requires the posting of a bond by the City Collector before entering the duties of the office.

The failure to adequately bond all persons with access to assets exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

- A. Review this matter with the City Attorney and ensure the city complies with state statutes when setting future tax levies.
- B. Hold public hearings on proposed property tax rates and establish the annual levies by ordinance as required by state law.
- C. Require the City Clerk to extend the current tax books and charge the City Collector with the amount of taxes, or at a minimum, document procedures performed to verify the accuracy of the tax book totals.
- D. Require the City Collector to prepare annual reports of taxes collected and delinquent taxes. In addition, an independent reconciliation of paid tax statements to the monthly reports should be performed.
- E. Obtain adequate bond coverage for the City Collector.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We are planning to have the City Attorney help us get this on the August 1999 ballot to be voted on.*
- B. *We do currently hold public tax hearings and we will in the future adopt tax rates by ordinance.*
- C. *The City Clerk currently checks the Collector's books and initials all columns added and penalties figured.*
- D. *The Collector gives the board a monthly report of taxes and penalties collected. She will also give an annual report.*
- E. *The Collector is now bonded.*

5.	Trash Fees
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The city charges its residents a monthly fee of \$8 for trash collection and this fee is included along with the water charges in the monthly utility bills. Seventy-five cents of the fee is

intended to cover the city's administrative costs for providing trash service and the remainder is to be paid the contractor who provides the trash collection service. The city has not identified the administrative costs incurred related to providing the trash service and collection of the fee; therefore, it could not be determined whether the administrative portion of this fee is reasonable.

Until early 1998, the city maintained a separate Trash Fund into which the trash fees were deposited and from which disbursements were made to the contractor. The user fee collections from city residents have exceeded the total annual disbursements to various contractors by an average of \$1,700 per year from 1993 through 1997. The city closed the Trash Fund in January 1998, and transferred the \$8,453 balance to the General Fund. Trash fees are currently being deposited into the General Fund and disbursements to the contractor are being made from the General Fund.

User fee charges should be set at a level to cover the cost of providing a particular service. The administrative costs of providing this service should be identified and documented. If the current revenues generated by the administrative portion of this fee exceed the estimated administrative costs incurred in providing this service, consideration should be given to reducing the fee accordingly.

In November 1998, the city increased the trash fee to \$9 due to a corresponding \$1 increase in the rate charged by the contractor.

WE RECOMMEND the Board of Aldermen determine the administrative costs associated with the trash collection service and ensure these costs are comparable to the administrative portion of the fees collected from city residents.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

The board will try to determine the administrative costs for trash service and decide if the fee is appropriate.

6. Street Maintenance Plan

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

The board will try to come up with a future street maintenance plan.

7. Ordinances, Policies, and Minutes

A. Our review of the city ordinances disclosed the following concerns:

1. The city's ordinance book does not appear to be complete. Some ordinances noted in the board minutes as being approved were not filed in the official ordinance book.
2. The city has not adopted ordinances in all appropriate instances. For example, ordinances have not been established to set the annual property tax rates, the trash fee, or the city's water rates and related fees.
3. The city has not operated in accordance with some established ordinances. For example, the ordinance addressing compensation for the board of aldermen and the mayor was not revised in 1991 to reflect salary increases approved by the board. In addition, the city's ordinances provide that new officers are to take office on the first Tuesday in May, after the April election. However, the city has been swearing in city officials at the April board meetings for a number of years and the new officials take office when they are sworn in.

Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. Ordinances should be passed where necessary, and the board should ensure it operates in accordance with established ordinances or revise the applicable ordinances, as needed.

- B. The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact, provide an address to mail requests for access to records, and establish a cost to provide copies of public records.

Section 610.023, RSMo 1994, lists requirements for making city records available to the public. In addition, Section 610.026, RSMo 1994, allows the city to charge fees for copying public records; however, the fees shall not exceed the city's actual cost of document search and duplication.

- C. The board minutes are signed only by the City Clerk as preparer. The board minutes should also be signed by the Mayor or a designated member of the Board of Aldermen to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Board of Aldermen:

- A. Ensure the city's ordinances are maintained in a complete and up-to-date manner. New ordinances should be passed as needed and the board should ensure it operates in accordance with established ordinances.
- B. Establish a formal written policy and procedures regarding public access to city records.
- C. Ensure the board minutes are signed to by the Mayor or a designated member of the board to attest to their accuracy.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *The city will put all ordinances in a bound book for the record. New ordinances will be passed as needed and the board will ensure it operates in accordance with established ordinances.*
- B. *The city will put together a public access policy.*
- C. *The board minutes will be signed by the Mayor and City Clerk.*

8.	Accounting Controls and Procedures
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- A. The Board of Aldermen has not appointed a separate individual to serve as City Treasurer. The City Clerk also serves as the City Treasurer, and with the exception

of the functions related to the collection of property taxes and the billing of utilities, this individual is responsible for most of the record keeping duties of the city. These duties include receiving and depositing monies, handling the utility collections, preparing invoices for payment, preparing and co-signing checks, performing bank reconciliations, and preparing financial reports. Neither the board nor other personnel independent of the cash custody and record keeping functions provide adequate supervision or an independent review of the work performed by the City Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. This situation does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

This condition was similarly reported by the city's independent auditors.

- B. Receipt slips are not issued for all monies received. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received. Doing so would provide better accountability over monies received. The receipt slips should indicate the method of payment (ie. cash, checks, or money order) and the composition should be reconciled to the bank deposits on a periodic basis.
- C. Deposits are not made on a timely basis, with deposits being made approximately once a week. To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

WE RECOMMEND the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Require prenumbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits on a periodic basis.
- C. Ensure deposits are made on a daily basis or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following responses:

- A. *We do not feel that it is feasible for the city to have a Clerk and a Treasurer. We will however, try to appoint a Treasurer on the board to oversee duties. Also, the Mayor performs a review of the City Clerk's records.*
- B. *Receipt slips will be issued for all monies received.*
- C. *Anytime money is accumulated larger than \$100, the City Clerk now goes to the bank.*

9. Fixed Asset Records

The city has not maintained adequate property records to account for its general fixed assets or assets of the Water Fund. Our review noted the following:

- A. The city's fixed asset listing does not include all property owned by the city. Although the financial statements presented in the most recent CPA audit reports included approximately \$14,000 in water plant equipment, the city's listing does not include any of this equipment. In addition, the listing does not include any of the office equipment owned by the city.
- B. The fixed asset listing does not include the cost or estimated cost for most items. This information was included for only two items purchased in 1998. In addition, the listing does not include make, model, and serial number for the property items.
- C. The city has not tagged or otherwise identified the fixed assets as property of the city.

Adequate fixed asset records are necessary to secure better internal control over assets and provide a basis for determining adequate insurance coverage.

WE RECOMMEND the Board of Aldermen ensure:

- A. All property owned by the city is included on its fixed asset listing.
- B. The fixed asset listing includes all necessary information including the cost or estimated cost of all property items, and the make, model, and serial number, if applicable.
- C. All city-owned property items are tagged or otherwise identified as city property.

AUDITEE'S RESPONSE

The Board of Aldermen provided the following response:

A new fixed asset list is in the process of being prepared. The city will tag its property, such as the computer and copy machine.

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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